United Nations E/1998/NGO/1

Economic and Social Council

Distr.: General
6 July 1998
English
Original: English/French/Spanish

Substantive session of 1998
New York, 6-31 July 1998
Agenda item 13 (a)

Economic and environmental questions: sustainable development

Statement submitted by the Inter-Parliamentary Union, a non-governmental organization in general consultative status with the Economic and Social Council

The Secretary-General has received the following statement, which is being circulated in accordance with paragraphs 30 and 31 of Economic and Social Council resolution 1996/31 of 26 July 1996.

98-19957 (E) 100798

INTER-PARLIAMENTARY UNION

PLACE DU PETIT-SACONNEX
1211 GENEVA 19 (SWITZERLAND)

TELEPHONE (41 22) 919 41 50 - TELEFAX (41 22) 733 31 41 - E-MAIL postbox@mail.ipu.org
TELEGRAPHIC ADDRESS - INTERPARLEMENT GENEVE - TELEX 414217 IPU CH

Economic and Social Council
1998 Substantive Session
Item 13 of the provisional agenda

ECONOMIC AND ENVIRONMENTAL QUESTIONS

(a) Sustainable development

WRITTEN STATEMENT PRESENTED BY THE INTER-PARLIAMENTARY UNION

The Inter-Parliamentary Union (IPU) submits the following declaration on Official Development Assistance (ODA) which was adopted without a vote by the Inter-Parliamentary Council* at its 162th session (Windhoek, 6 April 1998). For the IPU, sustainable development goes beyond merely linking environmental considerations to economic growth and includes such other vital issues as human development, participation in decision-making and social and economic justice. Its activities in this field are guided by its Committee for Sustainable Development which, after having held hearings on ODA at its last session in Geneva in March 1998, drafted the Declaration.

DECLARATION ON DECLINING OFFICIAL DEVELOPMENT ASSISTANCE (ODA) AND FINANCIAL AID IN GENERAL

Official Development Assistance (ODA) has been declining at an alarming rate. Rather than closing the gap with the target of 0.7 per cent of Gross National Product (GNP) set by the international community as far back as 1972 and reaffirmed at the United Nations Conference on Environment and Development (UNCED) in 1992, overall ODA has fallen from an average of 0.35 percent of GNP in the early 90s to less than 0.25 per cent today. In absolute terms, ODA has decreased during the last seven years by 25 percent, falling from a high of 60 billion dollars in 1990 to 45.5 billion dollars in 1997.

* The Inter-Parliamentary Council is the plenary policy making body of the IPU, comprising representatives of the Union's 137 member parliaments.

This decrease is the result of many factors. The political commitment to aid in donor countries is being challenged by chronic fiscal pressures compounded in many countries by high rates of domestic unemployment. The end of the Cold War has done away with security and ideological justifications for aid. A perception of aid dependence among the poorest countries and growing scepticism generally of past effectiveness of aid in promoting development and reducing poverty are further additions to the list of disincentives. Changes in fundamental development theories have also played their role. The shift in beliefs from development being equated with growth and led by public sector planning efforts towards more complex, multidimensional concepts of development as being people-centred, participatory and market-driven has led to uncertainty about the most appropriate role of aid. In short, there is a crisis in confidence in the utility of aid.

The decline in ODA is cause for very serious concern. ODA is an essential source of funding for many developing countries and particularly in the area of social development cannot be replaced by private financial flows. And it is at the core of the commitments made by States at the several world conferences held this last decade addressing sustainable development. While States have agreed that funding for the implementation of *Agenda 21* and other international commitments towards sustainable development should mainly come from countries' own public and private sources, they have also reaffirmed time and again the need to mobilise and provide new and additional, adequate and predictable financial resources to meet the targets of poverty reduction, protection of the environment and economic growth.

Beyond financial concerns, decreasing ODA has serious political repercussions on the possibility to forge international consensus on sustainable development in the future and, in particular, on its environmental aspects. The Special Session of the United Nations General Assembly in June 1997 (Rio+5) to make an overall review and appraisal of the implementation of *Agenda 21* provides one example where lack of progress on financing of sustainable development had a noticeable negative effect.

Hence, the urgent need to reverse the decline in ODA. This will require pursuing strategies which aim at improving the performance of development assistance and restoring donor support for ODA. We propose that national Parliaments launch a debate in plenary on the subject of declining ODA with a view to fostering a broader public understanding and support for official development assistance and consequent government action. Such a debate should focus on the following parameters for the future direction of aid :

(i) The development goal of Official Development Assistance, implicit in its very name but often obscured by a narrow view equating development with growth, must be reasserted. We need to repeat that the ethical case for ODA rests ultimately on aid's ability to alleviate poverty, for this and future generations. To that end, ODA must address sustainable development conceived as a broad objective based on the need to achieve - in an integrated and mutually supportive way - the triple goals of economic growth, social progress and equity, and the protection of the environment. By definition, these goals must prevail over short-term commercial or partisan motivations.

(ii) At the same time, overall effectiveness of ODA must be improved. Both donor and recipient countries need to ensure that existing ODA funding is used in the most effective and efficient way and that it contributes to economic growth, social development and environmental protection in the context of sustainable development. More effective use of ODA is essential in overcoming current donor fatigue and in promoting political support for increase of ODA levels by the governments and general public in donor countries.

(iii) To achieve these objectives, sustainable development and therefore also the use of ODA must be driven by domestic priorities. Aid projects have the best chance of succeeding when they are the result of a broadly based participatory process in which the political leadership, the agencies of the State and civil society agree on desirable policy changes and translate them into parameters of policy and administration which are generally accepted.

(iv) Similarly, development projects should be implemented in the context of sound economic, social and environmental policies. Recipient States need to develop a sound policy framework and transparent, participatory and effective national institutions. While growth is necessary for poverty reduction, it will not achieve this result unless it occurs in an environmentally sustainable manner and within an institutional and policy framework which ensures that the benefits of growth are equitably shared.

(v) Governments in both donor and recipient countries, as well as international financial institutions, need to ensure greater transparency with regard to the objectives of aid programs and the consistency of actual allocations and end uses with those objectives. Greater accountability in determining the objectives of aid and in the allocation of resources will help reduce donors' use of tied aid, and recipients' use of aid for short-term political and economic gains.

(vi) ODA should be better targeted to the least developed countries and to those sectors in developing countries and countries in transition which do not benefit from adequate funding from various private sources, both domestic and external. Such sectors where the primary goal is to achieve human development are usually in the social area, particularly education, health, and poverty eradication, as well as environmental protection in many cases.

(vii) ODA can be instrumental in covering incremental costs of national actions and policies aimed at achieving global environmental benefits, in particular actions aimed at the implementation of goals and objectives of various international conventions. Bearing in mind the overarching role played by the Global Environment Facility (GEF), governments have the responsibility to ensure the adequate replenishment of the Facility as well as to identify ways and means to improve access to its resources. Furthermore careful consideration has to be given to the scope of GEF's programme activities.

(viii) There is a need for more systematic use of donor-recipient dialogues and more effective coordination among the donors themselves in order to ensure that ODA meets national priorities and, at the same time, facilitates the achievement of specific goals agreed at the international level. There also seems to be a need to improve greater policy coordination and collaboration between bilateral and multilateral donors, including international financial institutions, and various funding and technical co-operation activities carried out by the organizations of the United Nations system, as well as by NGOs.

(ix) A most promising mechanism for donor-recipient coordination is a clear, recipient-driven strategy for sustainable development. National and sectoral sustainable development strategies can serve as the basis for designing funding programs using both domestic and international financial resources, including ODA.

(x) There is also a need to explore and foster new approaches to the uses of ODA. This includes consideration of the possibility of further shifting the ODA financing from funding specific projects towards supporting broader goals of national policy reform aimed at sustainable development, including the need for addressing possible short-term social implications of such reforms. Furthermore, there are discussions regarding the role that ODA can play as a catalyst for leveraging private investment in support of sustainable development.

(xi) Within the broad context of ODA, the problem of indebtedness of the poorest and the most indebted developing countries, must also be addressed. In addition to traditional mechanisms such as commercial bank debt buybacks and more innovative ones such as debt-for-nature swaps or debt-for-social-development swaps, particular mention should be made here of the Debt Initiative for Heavily Indebted Poor Countries (HIPCs), a joint World Bank and IMF initiative now being implemented.

(xii) A comprehensive policy regarding the financing of sustainable development must also address the issue of subsidies and particularly those that lead to unsustainable development. Existing subsidies will need to be made more transparent, examined in parliament, reformed, and as the case may be, removed. At the same time, support will have to be provided to the most vulnerable affected groups.

(xiii) ODA is not a form of charity. In many cases ODA provides an important long-term service for the tax payers in donor countries themselves. By addressing urgent social needs, particularly the need to eradicate poverty, ODA can play an important role in avoiding potentially dangerous social dislocation which, in turn, can lead to national and regional conflicts. ODA, as shown above, can play a crucial role in ensuring that all countries join efforts aimed at addressing global environmental problems which, otherwise, can not be effectively dealt with by developed countries acting alone.